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S E C R E T UNVIE VIENNA 000231

SIPDIS

DEPT FOR D(S), P, T, IO, ISN
DOE FOR NA-20, NA-24, NA-25, AND NE-6
NSC FOR SCHEINMAN, CONNERY
NRC FOR DOANE, SCHWARTZMAN

E.O. 12958: DECL: 05/13/2019
TAGS: [ENRG](#) [PARM](#) [PREL](#) [KNPP](#) [IAEA](#) [IR](#) [KN](#) [IZ](#) [PK](#)
SUBJECT: IAEA: LOOKING AHEAD TO THE JUNE BOARD

REF: A) UNVIE 220 B) UNVIE 193 C) UNVIE 208

Classified By: Ambassador Gregory L. Schulte for reasons 1.4 b-e

Summary and Action Request

1. (C) The June 15-19 IAEA Board of Governors meeting will take place against the backdrop of impasse over the 2010 budget and the ongoing race for IAEA Director General, with an election likely later in June. The politics of the DG race will distract from the regular June Board meeting's overloaded agenda, which includes several of our priorities. Given a limited number of deliverables, Mission wishes to alert inter-agency stakeholders to the need to "prioritize our priorities." The traditional focus of the June Board is on the annual Safeguards Implementation Report (SIR) and the budget, which is currently so divisive it will very likely not be resolved until later in the summer despite the Board Chair's advocacy for progress. The Board agenda (available on govatom) also includes formal discussion of the International Nuclear Fuel Bank (INFB), Russian LEU reserve, and German "enrichment sanctuary" proposals; verification issues in Iran, Syria and the DPRK; a related issue on de-restriction of Board documents; and consideration of the Agency's annual report, Technical Cooperation Report, and provisional General Conference agenda.

2. (S) Among these issues, Mission considers Board discussion of nuclear fuel assurances to be the area most ripe for advancing priority U.S. objectives. The SIR report could be a vehicle for a U.S. statement exhorting the strongest support for the IAEA's full use of its safeguards capabilities and for ensuring the Agency has all the authorities it needs to provide assurances about the absence of undeclared activities. Given the ongoing safeguards investigation mentioned in the SIR (ref A), the SIR discussion can also provide opportunity to influence Egypt to be more cooperative on nonproliferation objectives in the Board (ref A.) Mission assumes the timing of the June Board -- in juxtaposition to the presidential election in Iran -- makes any progress on Iran unlikely, though we see virtue in considering another EU3 3 joint statement on Iran following the March Board precedent. Mission recommends deferral of any Board action on Syria until September, when we have reason to believe we may be in a stronger position, to avoid the risk now of an abortive run at a Board resolution

detracting from momentum on the Syria investigation. We do not see much prospect for Board action on DPRK beyond strong national statements calling for return to the six-party process and IAEA verification; we would expect the UN Security Council in the event of a nuclear test, with a resolution in the September IAEA General Conference to follow. The Secretariat has not been requested to produce a report on safeguards compliance in Iraq in advance of the June Board (ref B). Mission recommends downplaying the de-restriction issue, placed by the NAM on the agenda as a diversion, though we should stand by the precedent of releasing the Iran report and continue to argue in favor of release of Syria reports. End Summary and Action Request.

Two Guerrillas in the Boardroom

13. (C) The agenda for the June 15-19 meeting of the IAEA Board of Governors is overloaded, by traditional standards. Casting a pall over the atmosphere in which the Board will address this agenda are the divisive questions of who will succeed Mohamed ElBaradei as Director General, and what level of financial resources Member States will accord the agency in 2010 (in conjunction with a biennium program and budget for 2010-11). Round two of the selection procedure for Director General, complicated by expansion of the field from two to five candidates, will run in installments before and after the Board's regularly scheduled week-long meeting. The uncertainty about DG succession at this time feeds an aura of "suspended animation" about the Agency that is reinforced by the frustrated safeguards verification cases in Iran and Syria (more below). The program and budget process is, ostensibly, even more accurately described as being at an impasse. First attempts May 13-14 by the empowered Board Vice Chairman, Romanian Ambassador Cornel Feruta, to lead negotiations between states resulted in more observable rejectionism than compromise. States are calling for different proposed numbers from the Secretariat rather than indicating funding levels on which they are prepared to engage. Board Chair Feroukhi (Algeria) and her Romanian deputy are reliably committed to achieving real growth in the Agency's resources in this budget cycle, but the path from here to there will be marked by confrontation and protracted negotiations. Feroukhi is urging Board member states to engage and compromise with a view, probably in vain, toward securing in June, per tradition, the Board's recommendation on the program and budget (for adoption by the General Conference in September). On both these issues, U.S. activism is ongoing and crucial.

Setting Priorities

14. (C) Among the priority issues formally before the June Board, Mission believes the issue most ripe for progress is the "Assurance of Supply" agenda item, which includes three sub-items. We are informed the Secretariat will present discussion papers on its own fuel bank concept and on the Russian LEU reserve proposal; Germany indicated its intention to circulate a paper on its "enrichment sancturay" concept. The DG must secure authorization from the Board to accept the contributed funding, currently held in trust, for development of the International Nuclear Fuel Bank (INFB), including nearly 50 million USD from the United States. The Director General also requires authorization to conclude model agreements with Russia on its LEU reserve proposal; Russia has yet to circulate the two relevant texts to the Board. At this writing the Secretariat is signaling it will seek no Board decisions in June. If achievable, however, preliminary agreement from the June Board on acceptance of funds and the broad outlines of a fuel bank, to be set out in a Secretariat discussion paper, would pave the way for the September Board of Governors meeting to approve establishment of fuel bank mechanisms in advance of the September deadline for the Nuclear Threat Initiative challenge grant for the INFB. Securing such agreement will not be easy given residual G-77/NAM resistance and may come at the expense of other priorities, i.e. in order to enlist their support, other

issues may need to be deferred.

15. (S) The June Board's consideration of the annual SIR report is traditionally an opportunity to highlight strengthening safeguards. In addition to promoting the Additional Protocol, we could help set the stage for later consideration of any concrete proposals we may wish to put forward on expanding the IAEA's legal authority, resources and technical capacity, including support for modernization of the Safeguards Analytical Laboratory (SAL) in the ongoing budget deliberations. We would not expect any decisions to come out of the June Board on these issues, but the U.S. and like-minded should continue to make the case for more robust IAEA safeguards and investigative authority in dealing with undeclared nuclear activities. As previewed ref A, Mission is also considering using the SIR reporting on Egypt to carefully leverage Egyptian cooperation on other safeguards issues. Although the June Board traditionally recommends the biennial program and budget for approval by the General Conference, we fully expect the ongoing budget deliberations to spill over into the summer, with a special Board meeting likely before July 20.

Iran, Syria, DPRK

16. (S) Weighing our country-specific verification priorities, the June Board would not appear to be a propitious time for pursuing Board resolutions on Iran, Syria or DPRK. The Director General's published reports and introductory statement on these issues are unlikely to break any new ground. With the Iranian presidential election scheduled the weekend before the IAEA meeting, the Board can be expected to take a wait-and-see approach. This could also complicate any U.S. national statement on Iran, in terms of creating an expectation that we would be conveying a full iteration of our policy at a time that we may not want to be seen as attempting to influence the Iran election outcome. We may, however, wish to consider another EU3 3 statement at the June Board, reiterating our united stance. Such a statement would also help set a further precedent, as in March, for a joint EU3 3 approach on Iran in the Board of Governors. As in March, there would have to be Political Director-level agreement to pursue such a statement as a point of departure for any successful Vienna negotiation of text. The desirability and content of a statement will be a function in part of whether Iran has accepted the EU3 3 offer of negotiations.

17. (S) Although the Israeli Ambassador is pushing for Board action on Syria, Mission has reason to believe we may be in a stronger position in September for an initial Board resolution on the Syrian safeguards investigation. For the June Board, the U.S. national statement should nevertheless convey a strong message marking a year gone by since the first and only June 2008 IAEA visit to Al-Kibar with no sign of additional Syrian cooperation since then, despite the IAEA's repeated requests. The U.S., in concert with other like-minded could also consider signaling our support for any prospective special inspection request by stressing the importance we attach to the Agency using the full range of its safeguards authorities in Syria.

18. (S) We do not see much prospect for Board action on DPRK, but expect strong national statements from the Core Group and others calling on the DPRK to return to the six-party process and IAEA verification. The annual September General Conference resolution on DPRK continues to be the main vehicle for registering IAEA member states' concern about the DPRK nuclear file. Given the UN Security Council's active involvement on DPRK, we do not see Board resolution as adding value at this juncture, or as an effective means of pressuring non-IAEA member North Korea. In the event of another test, we would expect the UNSC to take the lead as in the past. The Board did not issue a resolution following the first DPRK nuclear test, which was condemned in the annual GC resolution.

¶9. (S) The NAM, abetted by Brazil's "principled" stance at the March Board, insisted on the inclusion of de-restriction on the June Board agenda as means of airing well-worn grievances about safeguards confidentiality and media leaks, and to counter Western efforts to release the DG's report on Syria. Aside from a symbolic victory, there is little to be gained from engaging this debate as means of exerting "pressure" on Syria. The Syria report is leaked almost instantaneously, and pursuing this issue is not a substitute for Board action on Syria. Our primary objective should be to hold the line on release of the Iran reports consistent with past Board practice and as a matter of transparency on an issue of international concern, but otherwise downplay the debate. We should reassert the Board's authority to release its own reports on a case-by-case basis as noted in the cover note to the DG's report on the de-restriction issue, which cites the Board Chair's explicit statement in this regard upon adoption of the policy in 1997. Such a U.S. posture would leave the door open for release of future Syria reports, especially should the IAEA stand-off with Syria escalate, for example, in the wake of any future special inspection request. (Note: The Secretariat formally submits DG reports on Iran requested by the Security Council and passes a courtesy copy of Iran reports informally to IAEA members on the UNSC even when it is not a formal requirement. End note.)

¶10. (C) The 1996 Board document/decision circulated by the Secretariat on de-restriction does not add much to the debate. The IAEA has no proactive policy for publishing de-restricted reports on its website. The policy of de-restriction after two years is applied on a case-by-case basis in response to one or two requests a year from researchers who seek access to the documents; similar to our FOIA process. The two-year rule includes exceptions for confidential information and legal impediments to release as well as a blanket exception on non-release of the annual SIR report. In practice, the Secretariat has released some safeguards reports on Iraq, for example, dating back to the early 1990s. In short, this process is not comparable to and has no bearing on Board decisions on release of the Iran and Libya reports -- the Board can make a decision on release regardless of the two-year rule on de-restriction. Clearly, the NAM is attempting to conflate these issues. Our approach should be to stand by the Board's prerogatives with respect to specific cases while downplaying de-restriction as an issue. To counter likely NAM rhetoric on this agenda item, we could note the fact the IAEA Board decisions, unlike UN Security Council resolutions or those of other UN bodies, are not accessible to the public, i.e. they are only available on govatom once incorporated into the record of the meeting, and call for greater transparency.

Any Other Business - Pakistan, Gaza

¶11. (C) There is still a possibility of Arab delegations raising the Gaza DU issue under AOB though they refrained from doing so in the March Board. Mission would like to draw on our previous guidance to not engage such a debate unless it spills over into areas outside the IAEA's authority.

SCHULTE